

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Leighton	County Allegan
Fiscal Year End 3/31/07	Opinion Date July 3, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

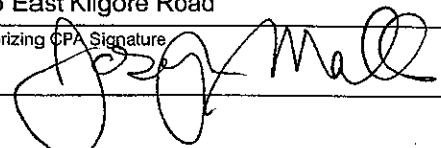
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

Township of Leighton
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Leighton, Michigan**

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leighton, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township of Leighton, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leighton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leighton, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 20 - 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Leighton, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 3, 2007

BASIC FINANCIAL STATEMENTS

Township of Leighton
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Leighton Township Green Lake Sewer Commission</u>
ASSETS		
Current assets:		
Cash	\$ 1,384,587	\$ 596,285
Receivables, net	117,625	68,507
Prepaid expense	15,974	-
Total current assets	<u>1,518,186</u>	<u>664,792</u>
Noncurrent assets:		
Receivables, net	20,569	160,000
Capital assets not being depreciated	81,522	138,782
Capital assets, net of accumulated depreciation	<u>1,465,494</u>	<u>2,014,917</u>
Total noncurrent assets	<u>1,567,585</u>	<u>2,313,699</u>
Total assets	<u>3,085,771</u>	<u>2,978,491</u>
LIABILITIES		
Current liabilities:		
Payables	27,874	-
Current portion of long-term obligations	<u>60,119</u>	<u>-</u>
Total current liabilities	87,993	-
Noncurrent liabilities - long-term obligations	<u>20,569</u>	<u>324,000</u>
Total liabilities	<u>108,562</u>	<u>324,000</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,512,016	1,829,699
Restricted for:		
Public safety	602,467	-
Public works	384,228	-
Culture and recreation	296,778	-
Unrestricted	<u>181,720</u>	<u>824,792</u>
Total net assets	<u>\$ 2,977,209</u>	<u>\$ 2,654,491</u>

See notes to the financial statements

Township of Leighton
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 5,280	\$ -	\$ -	\$ -
General government	214,332	82,049	-	15,451
Public safety	281,043	57,708	-	-
Public works	86,161	19,280	5,954	-
Health and welfare	6,000	-	-	-
Community and economic development	53,085	8,583	-	-
Culture and recreation	163,408	28,420	4,086	-
Interest on long-term debt	6,991	3,975	-	-
Total primary government	<u>\$ 816,300</u>	<u>\$ 200,015</u>	<u>\$ 10,040</u>	<u>\$ 15,451</u>
Component unit				
Public works	\$ 193,041	\$ 108,209	\$ -	\$ 6,100
Interest on long-term debt	18,492	11,960	-	-
Total component unit	<u>\$ 211,533</u>	<u>\$ 120,169</u>	<u>\$ -</u>	<u>\$ 6,100</u>
General revenues:				
Property taxes				
Franchise fees				
State grants				
Investment income				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

Net (expenses) revenues and changes in net assets	
<u>Primary government</u>	<u>Component unit</u>
<u>Governmental activities</u>	<u>Leighton Township Green Lake Sewer Commission</u>
\$ (5,280)	
(116,832)	
(223,335)	
(60,927)	
(6,000)	
(44,502)	
(130,902)	
<u>(3,016)</u>	
<u>(590,794)</u>	
	\$ (78,732)
	<u>(6,532)</u>
	<u>(85,264)</u>
657,737	-
14,763	-
248,439	-
63,689	26,373
<u>5,685</u>	<u>-</u>
<u>990,313</u>	<u>26,373</u>
399,519	(58,891)
<u>2,577,690</u>	<u>2,713,382</u>
<u>\$ 2,977,209</u>	<u>\$ 2,654,491</u>

See notes to the financial statements

Township of Leighton
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Special revenue</u> <u>Public Safety</u>
ASSETS			
Cash	\$ 185,375	\$ 372,962	\$ 584,676
Receivables, net	56,307	11,266	10,385
Due from other funds	-	-	-
Prepaid expenses	925	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 242,607</u>	<u>\$ 384,228</u>	<u>\$ 595,061</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 27,286	\$ -	\$ -
Due to other funds	38,408	-	-
Deferred revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>65,694</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved, undesignated	142,944	384,228	595,061
Reserved for building inspections	33,969	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>176,913</u>	<u>384,228</u>	<u>595,061</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 242,607</u>	<u>\$ 384,228</u>	<u>\$ 595,061</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Library</u>	<u>Debt service Sewer</u>	<u>Total governmental funds</u>
\$ 241,574	\$ -	\$ 1,384,587
14,548	45,688	138,194
38,408	-	38,408
-	-	925
<u>\$ 294,530</u>	<u>\$ 45,688</u>	<u>\$ 1,562,114</u>

\$ 588	\$ -	\$ 27,874
-	-	38,408
-	45,688	45,688
<u>588</u>	<u>45,688</u>	<u>111,970</u>

293,942	-	1,416,175
-	-	33,969

<u>293,942</u>	<u>-</u>	<u>1,450,144</u>
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<u>\$ 294,530</u>	<u>\$ 45,688</u>	<u>\$ 1,562,114</u>
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\$ 1,450,144

1,547,016

15,049

45,688

(80,688)

\$ 2,977,209

See notes to financial statements

Township of Leighton**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Special revenue		
	General	Road	Public Safety
REVENUES			
Taxes	\$ 208,801	\$ 170,937	\$ 157,647
Licenses and permits	70,469	-	-
State grants	254,393	-	-
Charges for services	15,723	-	-
Fines and forfeitures	-	-	-
Interest and rentals	22,135	8,338	21,540
Other	33,838	-	-
Total revenues	605,359	179,275	179,187
EXPENDITURES			
Legislative	5,280	-	-
General government	201,274	-	-
Public safety	201,657	-	-
Public works	150,054	-	-
Health and welfare	6,000	-	-
Community and economic development	53,085	-	-
Culture and recreation	1,794	-	-
Capital outlay	30,201	-	-
Debt service:			
Principal	35,000	-	-
Interest	3,016	-	-
Total expenditures	687,361	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(82,002)	179,275	179,187
OTHER FINANCING SOURCES (USES)			
Transfers in	139,984	-	40,000
Transfers out	(40,000)	(66,968)	(73,016)
Total other financing sources (uses)	99,984	(66,968)	(33,016)
NET CHANGE IN FUND BALANCES	17,982	112,307	146,171
FUND BALANCES - BEGINNING	158,931	271,921	448,890
FUND BALANCES - ENDING	\$ 176,913	\$ 384,228	\$ 595,061

<u>Library</u>	<u>Debt service Sewer</u>	<u>Total governmental funds</u>
\$ 188,390	\$ -	\$ 725,775
-	-	70,469
3,106	-	257,499
-	-	15,723
28,420	-	28,420
11,676	3,975	67,664
980	27,178	61,996
<u>232,572</u>	<u>31,153</u>	<u>1,227,546</u>
-	-	5,280
-	-	201,274
-	-	201,657
-	-	150,054
-	-	6,000
-	-	53,085
158,784	-	160,578
172,834	-	203,035
-	27,178	62,178
-	3,975	6,991
<u>331,618</u>	<u>31,153</u>	<u>1,050,132</u>
<u>(99,046)</u>	<u>-</u>	<u>177,414</u>
-	-	179,984
-	-	(179,984)
-	-	-
(99,046)	-	177,414
<u>392,988</u>	<u>-</u>	<u>1,272,730</u>
<u>\$ 293,942</u>	<u>\$ -</u>	<u>\$ 1,450,144</u>

See notes to financial statements

Township of Leighton

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2007

Net change in fund balances - total governmental funds	\$ 177,414
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:

Assets acquired	307,714
Provision for depreciation	(117,610)

Long-term debt - principal repayments	62,178
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Changes in other assets/liabilities:

Net decrease in prepaid expenses	(2,999)
Net decrease in deferred revenue	<u>(27,178)</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 399,519</u>
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See notes to the financial statements

Township of Leighton

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2007

ASSETS

Cash	\$ <u>52,285</u>
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LIABILITIES

Due to other governmental units	\$ <u>52,285</u>
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See notes to the financial statements

Township of Leighton
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leighton, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Leighton Township Green Lake Sewer Commission

The Leighton Township Green Lake Sewer Commission (the Commission) meets the criteria of a component unit and has been included in the Township's government-wide financial statements as a discretely-presented component unit. The Commission is reported in a separate column to emphasize it is legally separate from the Township. The Commission has a March 31 year end. The Commission's administrative office is located at 800 142nd Avenue, Wayland, Michigan 49348.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the financial resources used for the maintenance of the Townships roads and right of ways. Revenues are primarily derived from property taxes and state grants.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's fire and police protection. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's operational costs of the Library. Revenues are primarily derived from property taxes.

The Sewer Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector standards.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$18,850	\$30,201	\$ (11,351)
	Debt service - interest	-	3,016	(3,016)
Library	Capital outlay	23,000	172,834	(149,834)

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component unit</u>	<u>Totals</u>
Deposits	\$ 1,384,241	\$ 52,285	\$ 1,436,526	\$ 596,285	\$ 2,032,811
Cash on hand	346	-	346	-	346
Total cash	<u>\$ 1,384,587</u>	<u>\$ 52,285</u>	<u>\$ 1,436,872</u>	<u>\$ 596,285</u>	<u>\$ 2,033,157</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Deposits with financial institutions:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, a portion of the Township's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized as follows:

	<u>Bank balances</u>	<u>Uninsured</u>
Primary government	\$1,466,388	\$1,057,445
Component unit	564,068	212,687

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

At March 31, 2007, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special Assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:						
General Fund	\$ 1,748	\$ -	\$13,770	\$ -	\$40,789	\$ 56,307
Road Fund	-	-	11,266	-	-	11,266
Public Safety Fund	-	-	10,385	-	-	10,385
Library Fund	2,106	-	12,442	-	-	14,548
Sewer Fund	-	-	-	45,688	-	45,688
Total governmental activities	<u>\$ 3,854</u>	<u>\$ -</u>	<u>\$47,863</u>	<u>\$ 45,688</u>	<u>\$40,789</u>	<u>\$138,194</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,569</u>	<u>\$ -</u>	<u>\$ 20,569</u>
Component unit:						
Leighton Township Green						
Lake Sewer Commission	<u>\$ 1,408</u>	<u>\$17,099</u>	<u>\$ -</u>	<u>\$210,000</u>	<u>\$ -</u>	<u>\$228,507</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$160,000</u>	<u>\$ -</u>	<u>\$160,000</u>

All receivables are considered fully collectible.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 81,522	\$ -	\$ -	\$ 81,522
Capital assets being depreciated:				
Buildings and improvements	839,924	166,953	-	1,006,877
Equipment	491,549	72,261	-	563,810
Vehicles	596,208	-	-	596,208
Roads	115,793	68,500	-	184,293
Subtotal	<u>2,043,474</u>	<u>307,714</u>	<u>-</u>	<u>2,351,188</u>
Less accumulated depreciation for:				
Buildings and improvements	(234,870)	(25,004)	-	(259,874)
Equipment	(306,233)	(59,489)	-	(365,722)
Vehicles	(221,915)	(28,510)	-	(250,425)
Roads	(5,066)	(4,607)	-	(9,673)
Subtotal	<u>(768,084)</u>	<u>(117,610)</u>	<u>-</u>	<u>(885,694)</u>
Total capital assets being depreciated, net	<u>1,275,390</u>	<u>190,104</u>	<u>-</u>	<u>1,465,494</u>
Governmental activities capital assets, net	<u>\$ 1,356,912</u>	<u>\$ 190,104</u>	<u>\$ -</u>	<u>\$ 1,547,016</u>
Component unit:				
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	44,066	-	-	44,066
Subtotal	<u>3,898,098</u>	<u>-</u>	<u>-</u>	<u>3,898,098</u>
Less accumulated depreciation for:				
Sewer system	(1,760,413)	(96,350)	-	(1,856,763)
Equipment	(22,411)	(4,007)	-	(26,418)
Subtotal	<u>(1,782,824)</u>	<u>(100,357)</u>	<u>-</u>	<u>(1,883,181)</u>
Total capital assets being depreciated, net	<u>2,115,274</u>	<u>(100,357)</u>	<u>-</u>	<u>2,014,917</u>
Component unit capital assets, net	<u>\$ 2,254,056</u>	<u>\$ (100,357)</u>	<u>\$ -</u>	<u>\$ 2,153,699</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 14,647
Public safety	63,645
Public works	4,607
Culture and recreation	<u>34,711</u>

Total governmental activities \$ 117,610

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2007, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Library	\$ <u>38,408</u>	General	\$ <u>38,408</u>

The amount due to the Library Fund represents transfers made to the General Fund in excess of debt service requirements for the building.

A summary of interfund transfers for the year ended March 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ <u>139,984</u>	Public safety	\$ 73,016
		Road	<u>66,968</u>
			\$ <u>139,984</u>
Public safety	\$ <u>40,000</u>	General	\$ <u>40,000</u>

The transfer to the General Fund represents restricted revenues collected in the Public Safety Fund and Road Fund to pay for operational costs accounted for in the General Fund.

The transfer to the Public Safety Fund from the General Fund represents money designated for capital improvements.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

At March 31, 2007, the Township's payables were as follows:

	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Customer deposits</u>	<u>Totals</u>
Governmental activities:				
General Fund	14,137	5,964	7,185	27,286
Library Fund	<u>588</u>	<u>-</u>	<u>-</u>	<u>588</u>
 Totals	 <u>\$ 14,725</u>	 <u>\$ 5,964</u>	 <u>\$ 7,185</u>	 <u>\$27,874</u>

NOTE 8 - DEFERRED REVENUE:

As of March 31, 2007, deferred revenue consists of sewer special assessments unavailable to liquidate liabilities in the current period.

NOTE 9 - LONG-TERM OBLIGATIONS:

At March 31, 2007, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

 Installment Purchase

 \$70,000 Installment purchase contract for the purchase of a fire tanker; payable in annual installments of \$37,283, including interest at 4.25%; final payment due June \$ 35,000

 Contract payable:

 \$1,251,500 1999 sewer assessment, due in annual installments through 2012, interest at approximately 4.30% 45,688

Total governmental activities long-term obligations \$ 80,688

Component unit:

 Bonds payable:

 \$600,000 2002 Sewer disposal system revenue bonds; payable in annual installments of \$50,000, plus interest at 3.60% to 4.65%; final payment due April 2012. \$ 330,000

 Less unamortized discount (6,000)

Total component unit long-term obligations \$ 324,000

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

Long-term obligation activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
Installment Purchase	\$ 70,000	\$ -	\$ (35,000)	\$ 35,000	\$ 35,000
1992 Sewer Assessment	2,580	-	(2,580)	-	-
1999 Sewer Assessment	<u>70,286</u>	<u>-</u>	<u>(24,598)</u>	<u>45,688</u>	<u>25,119</u>
Total governmental activities long-term obligations	<u>\$ 142,866</u>	<u>\$ -</u>	<u>\$ (62,178)</u>	<u>\$ 80,688</u>	<u>\$ 60,119</u>
Component unit:					
2002 Bonds Payable	<u>\$ 390,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 330,000</u>	<u>\$ -</u>

The Township has pledged its full faith and credit for the 1999 Sewer Assessment bonds.

Debt service requirements at March 31, 2007, were as follows:

<u>Year ended March 31:</u>	<u>Governmental activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 60,119	\$ 3,452	\$ -	\$ 7,309
2009	20,569	884	60,000	13,372
2010	-	-	65,000	10,729
2011	-	-	65,000	7,886
2012	-	-	70,000	4,847
2013	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>1,627</u>
Totals	<u>\$ 80,688</u>	<u>\$ 4,336</u>	<u>\$ 330,000</u>	<u>\$ 45,770</u>

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its employees except volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township is required to contribute 5% - 18.75% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees made required contributions of \$6,827 and \$3,285, respectively.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 55,706
Expenses	<u>(49,440)</u>
Excess of revenues over expenses	<u>\$ 6,266</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 33,969</u>

NOTE 12 - JOINT VENTURES:

The Township, together with the Township of Dorr, established a joint wastewater treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,877,112 of the authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. Contracts payable equal to the outstanding assessment balances are included in the Township's general long-term debt account group.

NOTE 13 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 203,285	\$ 203,285	\$ 208,801	\$ 5,516
Licenses and permits	89,500	89,500	70,469	(19,031)
State grants	253,707	253,707	254,393	686
Charges for services	32,000	32,000	15,723	(16,277)
Interest and rentals	13,324	13,324	22,135	8,811
Other	31,000	31,000	33,838	2,838
Total revenues	<u>622,816</u>	<u>622,816</u>	<u>605,359</u>	<u>(17,457)</u>
EXPENDITURES				
Legislative	<u>5,480</u>	<u>5,480</u>	<u>5,280</u>	<u>200</u>
General government:				
Supervisor	16,250	16,250	15,000	1,250
Election	9,000	9,000	4,186	4,814
Assessor	32,175	32,175	31,639	536
Clerk	25,600	25,600	24,231	1,369
Board of review	1,600	1,600	1,343	257
Treasurer	26,600	26,600	26,608	(8)
Hall and grounds	24,500	24,500	21,410	3,090
Cemetery	13,000	13,000	13,012	(12)
Other	83,500	83,500	63,845	19,655
Total general government	<u>232,225</u>	<u>232,225</u>	<u>201,274</u>	<u>30,951</u>
Public safety:				
Police	68,250	68,250	60,235	8,015
Fire	139,125	139,125	91,982	47,143
Building inspections	80,000	80,000	49,440	30,560
Total public safety	<u>287,375</u>	<u>287,375</u>	<u>201,657</u>	<u>85,718</u>
Public works:				
Highways and streets	145,000	145,000	110,984	34,016
Street lighting	21,150	21,150	20,136	1,014
Drains	18,500	18,500	18,334	166
Recycling	600	600	600	-
Total public works	<u>185,250</u>	<u>185,250</u>	<u>150,054</u>	<u>35,196</u>

Township of Leighton

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Community and economic development - planning and zoning	53,500	53,500	53,085	415
Culture and recreation:				
Parks and recreation	2,500	2,500	1,129	1,371
Library	1,000	1,000	665	335
Total recreation and culture	3,500	3,500	1,794	1,706
Capital outlay	18,850	18,850	30,201	(11,351)
Debt service:				
Principal	34,700	34,700	35,000	(300)
Interest	-	-	3,016	(3,016)
Total expenditures	826,880	826,880	687,361	139,519
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(204,064)</u>	<u>(204,064)</u>	<u>(82,002)</u>	<u>122,062</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Road Fund	173,308	173,308	66,968	(106,340)
Transfer from Public Safety Fund	160,981	160,981	73,016	(87,965)
Transfer to Public Safety Fund	(40,000)	(40,000)	(40,000)	-
Total other financing sources	294,289	294,289	99,984	(194,305)
NET CHANGE IN FUND BALANCES	90,225	90,225	17,982	(72,243)
FUND BALANCES - BEGINNING	<u>158,931</u>	<u>158,931</u>	<u>158,931</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 249,156</u>	<u>\$ 249,156</u>	<u>\$ 176,913</u>	<u>\$ (72,243)</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 170,308	\$ 170,308	\$ 170,937	\$ 629
Interest	<u>3,000</u>	<u>3,000</u>	<u>8,338</u>	<u>5,338</u>
Total revenues	173,308	173,308	179,275	5,967
OTHER FINANCING USES				
Transfer to General Fund	<u>(173,308)</u>	<u>(173,308)</u>	<u>(66,968)</u>	<u>106,340</u>
NET CHANGE IN FUND BALANCES	-	-	112,307	112,307
FUND BALANCES - BEGINNING	<u>271,921</u>	<u>271,921</u>	<u>271,921</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 271,921</u>	<u>\$ 271,921</u>	<u>\$ 384,228</u>	<u>\$ 112,307</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Public Safety Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 156,981	\$ 156,981	\$ 157,647	\$ 666
Interest	<u>4,000</u>	<u>4,000</u>	<u>21,540</u>	<u>17,540</u>
Total revenues	160,981	160,981	179,187	18,206
OTHER FINANCING USES				
Transfer to General Fund	<u>(160,981)</u>	<u>(160,981)</u>	<u>(33,016)</u>	<u>127,965</u>
NET CHANGE IN FUND BALANCES	-	-	146,171	146,171
FUND BALANCES - BEGINNING	<u>448,890</u>	<u>448,890</u>	<u>448,890</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 448,890</u>	<u>\$ 448,890</u>	<u>\$ 595,061</u>	<u>\$ 146,171</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 158,068	\$ 158,068	\$ 188,390	\$ 30,322
State grants	5,711	5,711	3,106	(2,605)
Fines and forfeitures	25,221	25,221	28,420	3,199
Interest	-	-	11,676	11,676
Other	-	-	980	980
	<u>189,000</u>	<u>189,000</u>	<u>232,572</u>	<u>43,572</u>
Total revenues				
EXPENDITURES				
Recreation and culture	164,000	164,000	158,784	5,216
Capital outlay	23,000	23,000	172,834	(149,834)
	<u>187,000</u>	<u>187,000</u>	<u>331,618</u>	<u>(144,618)</u>
Total expenditures				
NET CHANGE IN FUND BALANCES	2,000	2,000	(99,046)	(101,046)
FUND BALANCES - BEGINNING	<u>392,988</u>	<u>392,988</u>	<u>392,988</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 394,988</u>	<u>\$ 394,988</u>	<u>\$ 293,942</u>	<u>\$ (101,046)</u>

**Members of the Township Board
Township of Leighton, Michigan**

In planning and performing our audit of the financial statements of the Township of Leighton as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Leighton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Leighton and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 3, 2007